

DEPARTMENT OF BUDGET AND FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**  
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813  
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

KIRK CALDWELL  
MAYOR



NELSON H. KOYANAGI, JR.  
DIRECTOR

GARY T. KUOKAWA  
DEPUTY DIRECTOR

June 5, 2015

The Honorable Ernest Y. Martin  
Chair and Presiding Officer  
and Members  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

Dear Chair Martin and Councilmembers:

SUBJECT: Authorization to Enter into an Intergovernmental Agreement with the  
Office of the Auditor, State of Hawaii

Pursuant to Chapter 1, Article 8 of the Revised Ordinances of Honolulu 1990, as amended, this letter is being submitted to City Council to respectfully request authorization to enter into an intergovernmental agreement with the Office of the Auditor, State of Hawaii. The intergovernmental agreement is needed in order for the City's independent financial auditors, KMH LLP, to comply with government auditing standards as well as the requirements of the Auditing Standards Board, the senior technical committee designated by the American Institute of Certified Public Accountants. Further information on this intergovernmental agreement is set forth in Exhibit A attached.

Should you have any questions, please have a member of your staff call me at 768-3901.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson H. Koyanagi, Jr.", is written over a horizontal line.

Nelson H. Koyanagi, Jr., Director  
Budget and Fiscal Services

Attachment

APPROVED:

A handwritten signature in black ink, appearing to read "Roy K. Amemiya, Jr.", is written over a horizontal line.

Roy K. Amemiya, Jr.  
Managing Director

RECEIVED  
CITY CLERK  
C & C OF HONOLULU  
2015 JUN 10 PM 3:27



## RESOLUTION

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AUTHORIZING THE DIRECTOR OF THE DEPARTMENT OF BUDGET AND FISCAL SERVICES (BFS) TO ENTER INTO A COST SHARING INTERGOVERNMENTAL AGREEMENT WITH THE STATE OF HAWAII'S OFFICE OF THE AUDITOR FOR THE INDEPENDENT AUDIT OF THE STATE OF HAWAII'S EMPLOYEES RETIREMENT SYSTEM (ERS) PENSION ACTUARIAL VALUATION REPORT

WHEREAS, Chapter 1, Article 8, Revised Ordinances of Honolulu 1990, as amended, requires that any intergovernmental agreement or amendment thereto which places as obligation to the City or any department or agency thereof, receive the prior consent and approval of the Council of the City and County of Honolulu; and

WHEREAS, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires an actuarial valuation of the total pension liability at least every two years, effective for the fiscal year ending June 30, 2015; and

WHEREAS, in accordance with government auditing standards and the requirements of the Auditing Standards Board, the senior technical committee designated by the American Institute of Certified Public Accountants, additional audit procedures, beyond those performed in the audit of the basic financial statements of ERS, are necessary to accumulate sufficient and appropriate audit evidence of the pension amounts and allocations contained in the pension actuarial valuation report; and

WHEREAS, the City's independent auditors are not expected to issue an unqualified or "clean" audit opinion that the City's financial statements present its financial position fairly without these further audit procedures on the applicable pension amounts reflected in the pension actuarial valuation report; and

WHEREAS, an unqualified or "clean" audit opinion is crucial to maintaining a favorable bond rating; and

WHEREAS, the auditors of ERS are willing to cost effectively perform the additional audit procedures on the pertinent information included in the pension actuarial valuation report; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the Director of the Department of Budget and Fiscal Services is hereby authorized to enter into an intergovernmental agreement with the State of Hawaii's Office of the Auditor in substantially the form attached hereto as Exhibit A to fund its proportionate share of the additional costs to audit the pension amounts and the allocations contained in the



**CITY COUNCIL**  
CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII

No. \_\_\_\_\_

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## RESOLUTION

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actuarial valuation report for the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*; and

BE IT FINALLY RESOLVED by the Council of the City and County of Honolulu that the Clerk is hereby directed to transmit a certified copy of this Resolution to the Director of the Department of Budget and Fiscal Services, 530 South King Street, Room 208, Honolulu, Hawaii 96813.

INTRODUCED BY:

\_\_\_\_\_  
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\_\_\_\_\_  
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DATE OF INTRODUCTION:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Honolulu, Hawaii

\_\_\_\_\_  
Councilmembers

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is effective the \_\_\_\_\_ day of \_\_\_\_\_, 2015, by and between the OFFICE OF THE AUDITOR, STATE OF HAWAI'I ("Auditor") and CITY AND COUNTY OF HONOLULU ("Employer").

RECITALS

- A. The following state or county government employers (the "employers") have requested assistance from the Auditor in conducting an audit of the schedule of employer allocations of the Employees' Retirement System of the State of Hawai'i ("ERS") and the total for all employers of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the schedule of pension amounts by employer of ERS for the fiscal year ended June 30, 2014, from actuarial information received from Gabriel, Roeder, Smith & Company ("GRS"), the actuary for ERS. The information is provided to meet reporting requirements under Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- i. State of Hawai'i;
  - ii. City and County of Honolulu;
  - iii. County of Maui;
  - iv. County of Kaua'i;
  - v. County of Hawai'i;
  - vi. Board of Water Supply, City and County of Honolulu;
  - vii. Department of Water Supply, County of Hawai'i;
  - viii. Department of Water, County of Kaua'i;
  - ix. Honolulu Authority for Rapid Transit; and
  - x. University of Hawai'i.
- B. The Auditor is willing to use KPMG LLC ("KPMG"), the contract auditor for ERS, to conduct the audit of the above-mentioned schedule and information.
- C. The purpose of this MOU is to provide for payment by the Employer to the Auditor as authorized under § 23-3.5, HRS, for the audited schedule and information to meet the reporting requirements of GASB 68.

TERMS AND CONDITIONS

1. Upon execution of this MOU, the Auditor will request KPMG to audit the schedule and information to meet the reporting requirements of GASB 68.
2. The cost of the audit to the Employer will be \$3,500.00.
3. The Auditor will bill the Employer for the audit cost after the Auditor receives the bill from KPMG.
4. This MOU may be amended or modified only by a written agreement signed by both parties.

IN WITNESS WHEREOF, the parties have executed this MOU as of the last date written below.

OFFICE OF THE AUDITOR  
STATE OF HAWAII

EMPLOYER:  
CITY AND COUNTY OF HONOLULU

By: \_\_\_\_\_  
Jan K. Yamane  
Acting State Auditor

By: \_\_\_\_\_  
Nelson H. Koyanagi, Jr.  
Director of Budget and Fiscal Services

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Deputy Corporation Counsel  
City and County of Honolulu